

# **Inequality and Local Democratic Government**

Patrick Heller

Memo for the Workshop on Inequalities in the Developing World  
Princeton Institute of for International and Regional Studies  
September 19, 2007

## **Introduction**

In this memo I want to make the argument that because durable inequalities are relational and rooted in power asymmetries, they can only be reduced through the increased agency of subordinate groups. This has long been the position taken by political sociologists and political economists who see distributional outcomes as a result of macro, national-level variables such as the balance of class power, state-market relations and the redistributive capacities of the state. Much of the comparative literature on cases of equity-enhancing development both in the core (Esping-Anderson and the welfare state literature) and the periphery (Kohli 1987, 2007; Sandbrook, Edelman, Heller and Teichman 2007) operates with this frame of analysis. But reductions of inequality that result from big shifts in class power and national institutions are very long in the making. Moreover, a focus on national institutions and highly aggregated forces can obscure the significance of local dynamics as sources of inequality. In this paper I want to focus on the link between inequality and local dynamics and make a general case for why building and capacitating the local democratic state can be an effective instrument for addressing the root causes of inequality. I begin by developing this argument theoretically, and then turn to a comparison of the successes and limitations of democratic decentralization in South Africa, Brazil and Kerala (India).

## **A Relational View of Inequality**

I want to begin by very briefly making the sociological case for a relational view of inequality. Recent work in sociology has underscored just how resilient and durable inequality is. The term “durable inequality” comes from Tilly (1999) who has argued that most unjust forms of inequality are organized around binary or hierarchical bounded categories such as male/female, black, white, or in the case of hierarchical inequalities, class and caste. Tilly argues that distributions of resources and opportunities are often organized around these categories, and the mechanisms of exclusion are mobilized or operationalized through the use of categories. As Tilly argues:

Bounded categories deserve special attention because they provide clearer evidence for the operation of durable inequality, because their boundaries do crucial organizational work, and because categorical differences actually account

for much of what ordinary observers take to be results of variation in individual talent or effort (1999:6).

The point here is not that individual inequalities don't matter, but rather that categorical inequalities are more enduring than the individuals that occupy the categories. In Tilly's succinct formulation, "bonds, not essences provide the bases of durable inequality" (1995: 48). Moreover, because categorical inequalities do organizational work and are often rapidly diffused from one setting to another through, they have significant multiplier effects. Thus, the various forms of capital that groups mobilize to reproduce their positions in society – economic, social and cultural capital – are to a significant degree mobilized through categorical boundaries. These boundaries are of course not airtight, but groups, and especially privileged groups, expend tremendous energy and capital in patrolling boundaries. Dominant groups have an interest in reproducing their privileges and do so through an "economy of practices" (Bourdieu) which includes the whole range of cultural, social and economic practices that enforce the boundaries of the privilege and ensure ongoing exclusion. This would include not only reproducing caste, class, race and gender differences through routinized practices of networking, socializing, consuming, sharing information etc ... but also instrumentalizing institutions and governance in general to serve those interests. The weapons of the rich – to inverse James Scott's famous line – represent a vast and powerful repertoire of techniques (material and discursive) to reproduce inequality.

The more general point is that inequality is relational. By *relational*, I specifically mean that the dynamic effects of bounded categories are a product of the relationship between different social groups. Most analyses of inequality continue to focus on individuals and the various assets they possess.<sup>1</sup> Individualistic analyses have done a lot to clarify the nature of inequality and to dismiss simplistic mono-causal explanations. The picture they provide however is largely a static one that fails to identify the causal mechanisms at work.<sup>2</sup> They argue that different outcomes result from the different attributes of individuals that then interact with the environment to produce different outcomes. The problem is that they "derive collective outcomes (e.g., racial differences in poverty) entirely from individual effects" (1999:23). "These [individualistic] analyses fail, however, to the extent that essential causal business takes place not inside individual heads but with social relations among persons and sets of persons" (Tilly, 1999 :33).<sup>3</sup> In this sense, intergenerational inequalities may indeed be reproduced through the actions of

---

<sup>1</sup> This focus stems from the methodological individualism that dominates much of the social sciences, but also reflects that relative ease with which data on individuals and households can be collected compared to the much more complicated, and less quantifiable, research and data that a relational perspective calls for.

<sup>2</sup> The choice, as Emirbayer notes, is between "whether to conceive of the social world as consisting primarily in substances or in processes, in static "things" or in dynamic, unfolding relations ." In contrast to the relational approach standard social science treatments of inequality, "[R]ational-actor or norm-based models, diverse holisms and structuralism, and statistical "variable" analyses [are all] beholden to the idea that it is entities that come first and relations among them only subsequently ..." (1997:281).

<sup>3</sup> Tilly notes that the economist John R. Commons insisted 60 years ago that economics should focus on transactions, not individuals.

individuals/households but that the actual strategies are developed and realized through existing mechanisms of social inclusion/exclusion.

A relational perspective directs attention to how categorical inequalities work. Tilly emphasizes two central mechanisms. The mechanism of *exploitation*

operates when powerful, connected people command resources from which they draw significantly increased returns by coordinating the effort of outsiders whom they exclude from the full value added by that effort (1999:10).

Typical examples of exploitation would include the ability of property owners, patrimonial rulers, patriarchs, patrons or those with significant organizational power to command a surplus from the productive labor of workers, tenants, subjects, relatives, clients and underlings. The mechanism of *opportunity hoarding*

operates when members of a categorically bounded network acquire access to a resource that is valuable, renewable, subject to monopoly, supportive of network activities, and enhanced by the network's modus operandi (1999:10).

The relational view of inequality must be contrasted to approaches that treat inequality as residual, an approach that is common in the policy literature. In the residual view, inequality is seen an unfortunate by-product of imperfect markets, bad policies, irrationalities or historical legacies that can be removed through good policy, more complete markets or changes in attitudes. The problem is that such views fail to recognize that because inequality is socially and politically produced, better policy or more enlightened attitudes will do little to change inequality until the question of power is addressed.

From a relational perspective reducing inequality calls for changing the practices and mechanisms through which inequality is produced. At one end this can mean reducing or neutralizing the capacity of elites to hoard resources, mobilize and move the various capitals through exclusionary networks, control distributive institutions etc ... Note that this in effect amounts to reducing discretionary power and basically democratizing practices by making institutions more rule-bound, transparent, meritocratic and inclusive. As benign as this may seem, it is tantamount to *disempowering* elites, and explains why democratization and bureaucratization are met with such resistance. The history of failed land reforms and decentralization initiatives are good examples.

At the other end, we can follow Amartya Sen and argue that development is about removing obstacles to people's capacity to pursue the lives they chose to value. In Sen's (1999) formulation, this takes the form of enhancing their capabilities, or to borrow the fashionable language, *empowering* the poor. Sen is not always very clear about why capabilities are so unevenly distributed. A relational understanding links capabilities to bounded categories and underscores the fact that many capabilities are achieved (or denied) through collective action. Viewed relationally, empowerment means increasing

the collective capacity of subordinate groups to command resources, access institutions and expand opportunities.

Historically, the master vehicle for such claim-making by subordinate groups has been representative democracy. The standard story of the success of modern welfare states in reducing class inequalities points to the institutionalized inter-class distribution of social surplus that was made possible, through the electoral mechanism, by the effective mobilization and political empowerment of the working class and its allies (Przeworski, Rueschmeyer et al.). With notable exceptions (Sandbrook, Edelman, Heller and Teichman, 2007) such social democratic redistributive class compromises have been rare in the developing world. Much of the problem here is structural – in the absence of lower class formation (itself tied to patterns of incorporation into the global economy) politics in the developing have tended to be highly fragmented, less programmatic, less encompassing and more populist and/or clientelistic. But beyond this problem (which is not as, Sandbrook et al. have argued, insurmountable) I want to argue that a more useful, and much less pessimistic way of looking at this question of aggregation is to point to the problem of the democratic deficit itself. The simple argument here is that procedural democracy in much of the developing world has rarely translated into substantive democracy (that is effective equity-enhancing democracy) because of the problem of participation. And while the problem of effective participation of subordinate groups does of course have much to do with national institutions and broad socio-economic trends, much of this democratic deficit, I argue, has to do with the thinness of local democratic spaces.

### **Democratic Deepening and Local Government**

In recent years the literature on participatory democracy has grown exponentially. Driven in part by important theoretical developments in normative democratic theory the interest in participatory democracy has grown apace with the increasing recognition of the deficits of representative democracy, especially in the context of low-intensity citizenship (O'Donnell, 1993).

The challenge of democratic deepening has both a vertical and horizontal dimension. The vertical problem is essentially a Weberian problem: many new democracies suffer from poor institutionalization and in particular weak forms of integration between states and citizens. The problem is two fold. On the one hand, there is the problem of how citizens engage the state. State-society relations tend to be dominated by patronage and populism, with citizens having either no effective means of holding government accountable (other than periodic elections) or being reduced to dependent clients. In the absence of clear and rule-bound procedures of engagement, citizens can not engage the local state qua citizens, that is as autonomous bearers of civic and political rights. On the other hand, there is the problem of where citizens engage the state, that is the problem of the relatively narrow institutional surface area of the state. Given that local government is often absent or just extraordinarily weak in much of the developing world, there are in fact very few points of contact with the state for ordinary citizens.

The horizontal problem refers to the Tocquevillian view of democracy which focuses on the quality of associational life. Tocqueville argued that democracies function well when citizens make use of their associational capacities and recognize each other as rights-bearing citizens. If many young democracies have endowed citizens with formal rights, pervasive inequalities within society limit the capacity of citizens to act on their rights effectively, in effect distorting the associational playing field and producing a wide range of exclusions (Mahajan, 1999). Taken together, the vertical problem of state-society relations and the horizontal problem of perverse social inequalities undermine the associational autonomy of citizens, the *sine qua non* of any effective democracy (Fox, 1993). Citizens can vote, but can they participate meaningfully?

But why should we accord so much importance to non-electoral participation? This question has received extensive attention in the literature, and I will only summarize it in bullet-point fashion. There are essentially five types of claims that have been made, none of which are mutually exclusive. First, meaningful forms of participation can serve as schools of democracy, allowing citizens to use and develop their civil and political rights. This is the Tocquevillian point, and has informed much of the civic engagement and social capital literature. The general point is that the more often citizens engage each other and state institutions as rights-bearing citizens rather than as clients, supplicants, subjects or dependents, the more likely they are to support and respect democratic rules and norms, including resolving conflicts through rule-bound mechanisms. Varshney's (2002) argument about civic life and ethnic conflict in India is a case in point. This thickening of civic ties can in turn have very positive spillover effects, such as increased trust and lower transaction costs in economic and social life.<sup>4</sup> Second, participation can help strengthen the accountability of democratic institutions by increasing the intensity and quality of ties between citizens and officials, and exposing state institutions to more continuous and noisier forms of scrutiny. In other words, it can help remedy the principle-agent problem. In turn, state actions that are seen as responsive to broad-based inputs will enjoy much higher legitimacy and stakeholder buy-in. Third, more direct forms of participation can have direct developmental benefits by providing decision-makers with better information about needs and problems (and hence better targeting) and better feedback on the effectiveness of interventions. Fourth, when participation has a pro-poor bias it not only gives the poor or historically marginalized a voice that is otherwise often lost through the aggregative logic of elections, but it can also give state reformers key allies with which they can then circumvent or otherwise neutralize traditional powerbrokers (Tendler 1997). The fifth argument has received much less attention in the literature on participation and decentralization, and yet in some respects may have the most profound implications for the quality of democracy. Theorists of deliberative democracy draw a direct link between the quality of participation and the validity of preferences in democratic societies. No one has made this case more eloquently than Amartya Sen:

---

<sup>4</sup> Not all forms of associational life have such positive effects. As Bourdieu (1984) always emphasized, social capital can be the basis of exclusionary practices and Armony, Riley (2006) and Berman (1997) have all shown how under certain political-historical circumstances, associational life can become the basis for very illiberal politics.

Public debates and discussions, permitted by political freedoms and civil rights, can also play a major part in the formation of values. Indeed, even the identification of needs cannot but be influenced by the nature of public participation and dialogue. Not only is the force of public discussion one of the correlates of democracy ... but its cultivation can also make democracy itself function better... (2000:158-159)

There are two key ideas here that need to be highlighted. The first is that Sen, in keeping with other theorists of participatory democracy, is arguing that we must not just have democracy, but that we must also *practice* democracy. Second, he moves beyond the traditional political science focus on how preferences are aggregated and represented to argue that democracy is first and foremost about how preferences are *formed*. And the key to how preferences are formed has to do with the quality and inclusiveness of public debate.

Local government looms large as the key terrain for developing these participatory dimensions of democracy. This is true both at a general level, as well as for the specific circumstances of most developing countries. In a general sense, all these participatory dynamics of making citizens, both in terms of enhancing associational capabilities and improving the nature of citizen engagement with state, have their most immediate and palpable expression in local arenas. It is at the local level after all that citizens are most likely to first engage in public deliberation, to see and experience the state, to develop democratic norms and to form associational ties. Political theorists and political sociologists have often lost sight of this simple fact in part because theories of citizenship have all too often been conflated with histories of the nation-state.

The democratic and developmental significance of local government takes on added importance in the context of young democracies because it has been the weakest link in the chain of state-society relations. First, at the local level, development has been experienced as a largely top-down, bureaucratic affair, over which ordinary citizens enjoy little if any say. Second, the local incarnation of the state has, with notable exceptions, been dominated by elite interests, and linked to society largely through patronage. Third, the actual presence of local government has been so thin both institutionally and financially, that it has not provided a usable platform for public deliberation or action. In sum, the form of the local state and the mode of its interface has been so circumscribed by social power and extra-legal authority as to make the actual practice of citizenship – and the expansion of capabilities - impossible.

In light of this, I think that efforts to build local democratic states and to promote greater participation hold significant promise for expanding capabilities and reducing inequalities. In what follows I very briefly examine both the successes and limits of democratic decentralization in South Africa, Brazil and Kerala (India). All three cases are marked by deep, pervasive and resilient inequalities, including particularly pronounced forms of organized social exclusion (race and caste). And in all three, state actors initiated comprehensive reforms, backed by national-level legislation, to promote democratic decentralization as a means for reducing inequality.

## Democratic Local Government

The case that is made in favor of promoting DLG generally falls either along the institutional or the associational axes. The policy literature and multilateral donors have focused on the institutional returns of DLG pointing to the comparative advantages of scale, information and accountability that come with having government “closer to the ground”. Civil society groups and social movements have tended to emphasize participation arguing that more decentralized and democratic government creates more opportunities for ordinary citizens (or at least activists) to engage the state and to play a meaningful role in shaping public allocations and local decision making.

Officially, almost all parties to the debate support both dimensions of democratic decentralization. The World Bank now routinely underscores the importance of promoting “empowerment” (2006) and civil society based actors and their academic supporters argue that even while participation is a desirable outcome in its own right, it can also promote more just and efficient development outcomes. In practice of course, both sides of the debate tend to have zero-sum views of the double desiderata. Those who emphasize institution building (lets call them the *technocrats*) believe that too much participation can overwhelm new and fragile institutions (echoes of Huntington) and those who emphasize participation (lets call them the *associationalists*) believe that an overemphasis on institution building crowds out civil society.<sup>5</sup> These two zero-sum views are echoed in the academic literature, both along disciplinary and ideological fault lines. Economists, and to a lesser extent political scientists, are more preoccupied with getting the incentives right in order to achieve the optimal allocative equilibrium, whereas sociologists and anthropologists are more concerned with leveling power asymmetries. Both of these perspectives ultimately fail to provide a comprehensive understanding of the local democratic state. The technocrats fail because they assume that if built correctly the institution will work irrespective of the power equations in society. While this view may hold some water in contexts characterized by robust and evenly distributed associational capacities, in most young democracies associational capacities are circumscribed by a range of extra-institutional constraints and the actual capacity to “work the institution” will vary dramatically across social categories. Under conditions of pervasive social inequality, institutions are likely to be captured by elites or governed by logics that have exclusionary effects. The associationalists fail because they assume that once unleashed, associational capacity itself is transformative, as in the virtuous circle theories of social capital. But this leaves two fundamental problems

---

<sup>5</sup> Pranab Bardhan (1999:189) divides the terrain into two camps of “technocrats” (which includes “positivistic economists, die-hard Stalinists ... leftover Fabians, mandarin administrators and technocrats”) and “anarcho-communitarians.” If I agree with his characterization of the former, I think the latter is too lumpy. While many civil society groups are naively optimistic about associational life, just as many that support democratic decentralization do not romanticize community life and in fact favor institutionally supported forms of participation as a remedy not only to the deficits of technocratic decision-making but also the inequities of communities.

unresolved. The first is that associational life is in many ways an artifact of institutional design, and that promoting participation requires building new kinds of institutions. The second is what could be called the transmission problem, that is the issue of how participatory inputs actually get translated into actual outputs. Both problems require very serious attention to institutional design, including complex issues that are generally the purview of the technocrats and often shunned as inherently conservatizing or demobilizing by the champions of civil society and social movements.

I emphasize these tensions between technocrats and associationalists not only because they neatly map the vertical and horizontal challenges of democratic deepening, but also because they capture many of the dynamics and problems that has characterized the process of building DLG in Kerala, Brazil and South Africa. Drawing on three separate research projects that have involved a number of collaborators (Baiocchi, Chaudhuri, Harilal, Schensul, Silva,) I make the case that while South Africa was far better equipped in terms of resources and institutions than either Brazil or Kerala to carry out such ambitious reforms, it has had the most disappointing results. In contrast, though the institutional capacity of local government remains highly problematic in both Kerala and Brazil, the participatory practices that have been nurtured have been quite effective. Most notably, participatory reforms in Kerala and Brazil have provided subordinate groups with meaningful and consequential opportunities for shaping local development which has in turn led to measurable equity gains.

### **The Comparisons**

Historically, and especially in urban areas, the local state in South Africa has been deeply involved and very effective in planning and allocating resources, largely because of the highly engineered forms of social and spatial control that apartheid necessitated. Since the transition to majority rule, the black-majority ANC-led government has been explicitly committed to undoing the spatial and racial inequalities of the apartheid city and has committed very significant resources to this project. In terms of revenues, established institutional capacity and technical know-how, the local state in South Africa, and in particular the large metro areas, is far better equipped to tackle transformation than its Indian or Brazilian counterparts. Yet despite an enormous role-out of infrastructure and services since 1994, overall inequality and urban social exclusion in South Africa has actually worsened in the post-apartheid period. There are moreover clear signs of increasing fragmentation and social disintegration in South African cities (Harrison, Huchzermeyer and Mayekiso 2003; GoSA 2006). The processes at work are complex, but most analysts agree that a critical problem has been the increasingly insulated and centralized character of the local state.

In the name of efficiency and more rapid delivery, the ANC has managerialized decisions-making processes, reduced the quality and scope of participatory processes created under the Reconstruction and Development Programme (RDP) and shifted power from civic structures to ANC councillors. A wide range of participatory institutions have been dismantled or hollowed-out, and municipal governance has been centralized into Mega-city structures that have entrenched a bureaucratic and corporatist vision of urban



governance (Beall, Crankshaw and Parnell 2002). The privatization or out-sourcing of many government functions and increased reliance on consultants has virtually crowded out community structures. The costs of successfully transacting with the state have increased dramatically. The space for civil society organizations has contracted leaving only organized labor and highly professionalized NGOs as effective interlocutors. In the absence of local institutional spaces in which community actors can directly engage the state, the power struggles to represent the community have become much fiercer and many citizens are simply turning to powerful local patrons, including criminal gangs.

Kerala (population 31 million) has long been recognized for its achievements in promoting social development (Sen 1999). But despite the strength of mass movements (most notably organized labor) and a high literacy rate, Kerala, as is true of all Indian states, has been governed in a highly top-down fashion. Vertically organized state departments have exercised a virtual monopoly in service delivery and development, and local government – that is municipalities and rural governments – have enjoyed very limited powers, and virtually no resources to promote development. Until recently, developmental local government in India more or less meant provincial states, with average populations in the tens of millions. This began to change in 1993 with the passage of the 73<sup>rd</sup> and 74<sup>th</sup> constitutional amendments which gave new powers to local governments but left the details of implementation to states. Most did very little, but when a coalition of left parties led by the Communist Party of India–Marxist (CPI(M)) returned to power in 1996 in Kerala, the government launched the “People’s Campaign for Decentralized Planning” (the Campaign hereafter). All 1,214 local governments in Kerala—municipalities and the three rural tiers of district, block and gram Panchayats (rural local governments) — were given new functions and powers of decision-making, and were granted discretionary budgeting authority over 35-40% of the state’s developmental expenditures. In addition to devolving resources, state officials sought to directly promote participatory democracy by mandating structures and processes designed to maximize the direct involvement of citizens in planning and budgeting.

In Brazil, the origins of the local participatory government were quite different, but bore interesting parallels to Kerala. The return to democracy in 1989 marked not only a significant political transition, but also the ascendancy of civil society organizations. The new constitution (1989) introduced a wide range of participatory mechanisms, including popular councils in health and education, and new powers and responsibilities for local government. But local politics in Brazil are dominated by traditional elites, and the take-up of these new participatory opportunities was limited. The exception was participatory budgeting (PB), first introduced in the city of Porto Alegre in 1983 by a PT government. Initially, the PB was little more than a set of practices promoted by civil society organizations that allowed citizens to play a role in shaping the annual capital budget. Each year, under the impetus of what is by all accounts one of the most sophisticated local civil societies in Brazil, the institutional infrastructure and design of PB evolved, expanding the scope and reach of participation and fine-tuning the procedures to ensure that participatory inputs were translated into budgetary outputs. Because of the success of PB in Porto Alegre and other cities, the PT gained a reputation as a party of good governance (which has since been seriously tarnished at the national level). Over the past

two decades, PB has been embraced by a wide range of local parties has been expanded to over 400 cities, including large metropolises such as Belo Horizonte and Sao Paulo.

While the actual design of the Campaign and PB are different, the political origins are very similar, as are the foundational principles. Much as is true of the participatory thrust of the South African White Paper on Local Government and the Reconstruction and Development Programme (RDP), PB and the Campaign were specifically conceived as a vehicle for deepening democracy and had their roots in civil society. Indeed, in each case, associationalist and technocratic logics converged, and the case for participation was made both in terms of building active citizenship in a context of thin citizenship and capturing the efficiency gains of increased accountability and mobilizing community resources.

But PB and the Campaign parted from the South African vision of DLG (as represented in the government's Reconstruction and Development Program) in being much more explicit about the institutional challenges of promoting participation and the political obstacles to be surmounted. In South Africa, the terms of the transition had produced a ruling party that saw itself as the incarnation of transformative politics and as the sole legitimate heir of the National Democratic Revolution. So even as the RDP reserved an important role for civil society in the transformative project of integrating South African cities, it viewed civil society's role as largely complementary to the goals of the ANC. As a truly hegemonic force, the ANC could in effect subsume civil society. This political logic, born of the broad and encompassing mandate that the transition conferred on the ANC and to the quite extraordinary state capacities inherited from the apartheid regime, explains why structures and processes that were originally presented as providing autonomous spaces for civil society participation in DLG (such as community development forums and Integrated Development Plans) were quickly (and especially after the introduction of GEAR in 1996 and its emphasis on managerialism) either brought under the control of party structures or substituted with more technocratic forms of decision-making.

In contrast, the political circumstances under which participation was promoted in Porto Alegre and Kerala came against the backdrop of a crisis of political party systems and the Left's loss of faith in the traditional top-down, command-and-control transformative state. In Brazil PB was publicly presented as an alternative to the traditional local clientelistic state and as a means for dislodging oligarchical party control. In Kerala, the architects of the Campaign were determined to challenge the power of patronage politicians, and especially what is locally referred to as the "bureaucrat-politician nexus of corruption." In PB the challenge to politicians was frontal: the PB process was designed to operate in parallel to the official budgeting process and to circumvent elected councilors. In Kerala, the Campaign was designed to integrate locally elected panchayat officials, but to carefully contain their discretionary powers through participatory structures. In Kerala moreover, the goal was not just to clean up local government, but to build local government by in effect devolving traditional line-department functions to panchayats.

Another point of contrast with the South African vision of DLG is that the PB and the Campaign both viewed institutional reform first and foremost as a means to providing new avenues of mobilization. The emphasis was less on promoting development and extending service delivery and more on nurturing new forms of state-citizen engagement and specifically on changing the way in which choices about development are made.

Comparing the two, it is possible to identify four common institutional design principles:

- 1) giving citizens a direct role in city governance by creating a range of public fora (micro-regional councils, district councils, sectoral committees, plenary meetings, delegate councils) in which citizens and/or delegates can publicly articulate and debates their needs
- 2) linking participatory inputs to the actual budgeting process through rule-bound procedures
- 3) improving transparency in budgeting process by increasing the range of actors involved and publicizing the process and by the same token reducing the possibility of elite-capture
- 4) incentivizing agency by providing tangible returns to grass roots participation

How well have these reforms worked? I don't have the space to review the existing body of research in this memo, so I will just very briefly summarize basic findings. First, in both cases the institutional practices that have emerged have proven to be significant and robust. Kerala now boasts local democratic panchayats that enjoy more resources and functions than in any other Indian state (Heller, Harilal and Chaudhuri, 2007). The basic architecture of the democratic decentralization has now survived two changes of government and enjoys the support of both dominant political parties (the CPM and the Congress). PB in Brazil has now spread to as many as 400 municipalities. Though the actual practices vary significantly, in almost all cases that have been carefully studied some form of direct citizen participation in the budget process has been introduced (Wampler, forthcoming; Avritzer 2002; Baiocchi, Chaudhuri, Heller and Silva 2006). Second, in both Kerala and Brazil the introduction of participatory structures has increased subordinate group engagement, has reduced the traditional control of elites and has significantly increased the accountability of local officials. Third, the resulting distribution of public resources has been much more redistributive. In Porto Alegre, poorer areas of the city are receiving significantly larger shares of investment, and a statistical analysis comparing PB cities to all Brazilian municipalities showed that PB cities had a significantly better track record of poverty reduction (Baiocchi, Chaudhuri, Heller and Silva 2006). In Kerala, survey data reveals a clear pattern of improved targeting of the poor, and a significant overall improvement in the quality of development investment and services (Heller, Harilal and Chaudhuri 2007). Finally, in both cases the democratization of local government has had a crowding-in effect on civil society – mobilizing groups that had not previously been active in politics - and has shifted patterns of local intermediation from patronage to citizenship.

Of course, there have also been problems. In Kerala, the “big bang” approach that consisted of devolving resources and functions before building the necessary local

institutional capacity was politically effective, but has left significant problems of system stabilization. Panchayats have found it difficult to manage and spend funds, panchayat plans are more often lists of demands rather than carefully integrated proposals for promoting development, and local plans were never effectively coordinated with block and district plans. PB in Brazil has also had institutional problems, though of a different nature. PB in Brazil has in fact never been institutionalized (that is enshrined in legislation) and the process remains vulnerable to changes in local government. In some cases, the introduction of PB led to an increased dependence of civil society groups on the support of the local state (Baiocchi, Heller and Silva, forthcoming). On balance though, there is no doubting that in both cases these reforms created new participatory opportunities for subordinate groups, and that with some local variation, this more often than not resulted in substantive gains for the poor. The fact that both sets of reforms are rapidly diffusing is itself suggestive. PB has become something of a cause celebre in Latin America, spreading to many cities and even being mandated nationally for all local governments in Bolivia. In Kerala, the Campaign has been identified by the Congress-led central government as a model for the rest of the country.

### **Some Tentative Lessons**

In scope and depth, the Campaign and PB have been widely recognized as significant and fairly successful cases of promoting decentralized participatory development. These are extremely complex institutional reforms that display highly uneven levels of implementation and impact. Drawing out any lessons must be done with care and with many qualifications. The most important qualification is that there are no ready made transposable solutions given that institutional performance is always conditioned by history and context, most notably existing state capacity, the quality and activity of civil society and the underlying political configuration. With this qualification about politics and history in mind, it is possible to tease out a few policy-relevant lessons.

1) The most important lesson is that not only is it possible to create institutions that allow for meaningful forms of citizen engagement, but that the conditions for participation are quite plastic. When offered genuine opportunities for participation local actors will get involved. Participation is not a function of stock variables such as human capital and social capital which can only be accumulated slowly over time. It is a function of much more malleable factors, such as institutional design, openings in the opportunity structure, alliances and new incentives. When poor people do not participate it is not because they don't have the skills or the determination, but because the obstacles to participation are too high. There are transaction costs to participation, and careful design and political action can go a long way in changing those costs. A related point is that participation can have dramatic knock-on effects. This is true not only in the sense of demonstration effects (more groups and communities join as the returns become clear) but also in the sense of expanding the possibilities and meanings of citizenship. Of the many obstacles the poor face, none are more debilitating than the cultural constraints of limited cognitive horizons and limited experience of working the system. The "performance of competence and innovation" that even the most modest forms of participation offer confront these constraints by nurturing what Appadurai calls the "capacity to aspire"

(2004). In sum, participatory institutions that are carefully designed and properly scaled can significantly expand opportunities for the poor and the most marginalized groups to practice citizenship.

2) The two most common technocratic objections to decentralized participation – that poor communities don't have the capacity to engage in local planning and that too much participation can be disruptive, time-consuming and even lead to conflict – simply don't hold up. Before the Campaign local citizens had few if any channels through which to influence public action and no prior experience of planning or local development. Existing structures of local government were paper thin. The Campaign strategy was in effect to build institutions through mobilization. The process was messy and has required extensive fine-tuning from year to year, yet panchayats in Kerala have managed to produce annual local plans, design thousands of projects across a wide range of sectors and basically transform and more often than not improve on the command-and-control line department delivery mode of the past. Though critics argue that local government still has significant institutional weaknesses, there is widespread recognition that the Campaign has created forms of popular governance where none existed before.

Under the PB, ordinary citizens have proven more than capable of making city budgets and negotiating with department officials. Indeed, as Abers (1996) has shown, popular participation actually forced city officials to transform a cumbersome, opaque and needlessly complicated budgeting process into a much more streamlined, clear and transparent one. The fact that neighborhood assemblies were in many cases supplemented by the creation of thematic groups to take up city-wide issues suggests that territorially-based participation rather than producing local particularisms can have learning and scaling-up effects. Indeed, the extra-local networks created through thematic fora in Brazil and through the many district and state-level conferences of Campaign workers in Kerala (both for training and "best practices" diffusion) have created new ties *across* communities, movements and sectors, generating precisely the kind of bridging ties that many analysts have argued promote development (Storper, 2004). Rather than unleashing parochialisms in what are extremely heterogeneous societies, democratic participation has increased interactions between groups and leveled the playing field. Women, dalits and the poor have become more organized in Kerala and have benefited the most materially from the Campaign. Participation in PB has been far more pronounced in working class and poor communities and has opened doors to CSOs of blacks, gays and the homeless (Wampler, forthcoming; Baiocchi et al. 2006). Both cases would appear to confirm the argument made in the deliberative democracy literature that meaningful public spaces for deliberation and joint collective decision-making nurture thicker civil societies with more cross-cutting ties. To borrow from Hirschman's famous formulation, promoting the politics of voice can act as a counter to the politics of loyalty (clientelism, communalism) or the politics of exit (apathy, crime, flight). Given the involutory dynamics of so many poor urban communities in South Africa and increased concern with social disintegration, this may be an especially important lesson.

3) Third, institutional design matters, a lot. In its rush to celebrate associational life, much of the literature on participation often fails to recognize the complex ways in which institutions structure incentives for participation and can favor or block pro-reform alliances. The Campaign and PB both built institutions, that to paraphrase a line from Brazilian social movements, had an institutional bias for the poor. Participatory structures were carefully designed to reduce the transaction costs of subordinate groups and to make it much more difficult for elites to control or capture the process. Indeed, if there is anything that has struck me in doing research on PB and the Campaign it is the extraordinary attention that the reform architects have given to the finer points of institutional design and to the importance of constant fine-tuning based on feedback.

4) Even as it is important to bear in mind the power equations that often pit technocrats against the associationalists, bureaucrats and politicians against civil society, institutional logics against mobilizational logics, we must also recognize that local government is often an arena where alliances across the state-society boundary can develop and produce synergistic outcomes (Evans 2002). The most unexpected finding from the Kerala survey data was that local department officials – widely perceived to have opposed the Campaign – in fact had extremely favorable views of the Campaign. Moreover, as I have argued elsewhere (Heller 2005), the Campaign itself was made possible by the support of key factions in the bureaucracy and the political class. Similarly in Brazil, many of the government officials we interviewed in a 5 municipalities welcomed PB as a way to develop ties to partners in civil society. This fits neatly with Chalmers' et al. (1997) argument that the decline of corporatism and populism in Latin America has opened up room for “associative networks” that cut across traditional state-society boundaries. The resulting dense ties between officials and civil society actors moreover neatly replicate that embeddedness that Evans (1995) has argued was critical to the success of the East Asian developmental state. If such ties were critical to promoting industrialization under conditions of authoritarianism, it only stands to reason that they are even more critical to promoting social development and redistribution under democratic conditions (Heller 1999).

A final lesson is strategic. The Campaign and PB were made possible by openings from above, but were born of experiments that were developed and elaborated through a continuous process of learning-by-doing. What made this possible was reversing the conventional logic of first putting institutions and systems in place and then inviting participation. As intellectual elites who see themselves as equipped with solutions, experts and policy makers tend towards high modernism, that is an imperial and exaggerated sense of the actual predictable effects of state intervention. What results is an a-political, incrementalist view of institution-building that presupposes the existence of good governance blueprints that can be implemented by committed experts and capacitated state agencies. The reform sequence that is proposed is one in which institutions and all the necessary procedures and systems are in place before real power and resources are devolved. The architects of the Campaign and PB proceeded from a very different set of assumptions. Having taken note of the many well-intentioned institutional reform projects in India and Brazil that have repeatedly been scuttled or nibbled to death by vested interests, they argued for an approach that reversed the

sequence, that is devolved resources first, and then built the institutions (Thomas Isaac 2002). The approach was of course not quite so crude since as we have seen the Campaign was built on an elaborate institutional architecture, and the PB benefited from the rich repertoire of participatory forms developed by Brazil's social movements. But there is no doubt that the sudden introduction of binding participatory control of significant portions of the budget represented a shock to the system and of business as usual. The strategy – and it was every bit a self-conscious strategy - was predicated on two assumptions. First, that only such an approach could dislodge vested interests and preempt various elite tactics of resistance, and second that this sudden opening of institutional spaces could trigger a mobilizational response that would create its own momentum of reform. The birth pangs that critics have pointed to notwithstanding, this approach was quite clearly successful in opening up the institutional and political space for sustained reform. In light of this, posing the question of what might have happened in South Africa if the spirit of the RDP's commitments to participatory development had been fully carried through - for example if community development forums had been maintained, if Integrated Development Plans had been formulated through binding community inputs (rather than consultants) and if housing projects had been developed by beneficiary committees – takes us well beyond dry exercises in counterfactual analysis and back to politics as the art of the possible.

## References (incomplete)

- Abers, R. 2000, *Inventing local democracy : grassroots politics in Brazil*. Lynne Rienner Publishers, Boulder, Colo.
- Abers, R. 1996, "From Ideas to Practice: The Partido dos Trabalhadores and Participatory Governance in Brazil", *Latin American Perspectives*, vol. 23, no. 4, pp. 35-53.
- Appadurai, A. 2004, "The Capacity to Aspire: Culture and the Terms of Recognition" in *Culture and public action*. eds. M. Walton & V. Rao, Stanford Social Sciences, Stanford, Calif., pp. 59-84.
- Avritzer, L. 2002, *Democracy and the Public Space in Latin America*. Princeton University Press, Princeton.
- Baiocchi, G. 2005, *Militants and citizens : the politics of participatory democracy in Porto Alegre*. Stanford University Press, Stanford, Calif.
- Baiocchi, Gianpaolo, Patrick Heller and Marcelo Kunrath Silva. Forthcoming. Making Space for Civil Society: Institutional Reform and Local Democracy in Brazil," Social Forces.
- Baiocchi, G., Chaudhuri, S., Heller, P. and Silva, M.K., 2006. Evaluating Empowerment: Participatory Budgeting In Brazilian Municipalities. In: R. Alsop, M. Bertelsen and J. Holland, eds, *Empowerment in Practice: From Analysis to Implementation*. The World Bank, pp. 95-128.
- Bardhan, P. 1999, "The State Against society: the Great Divide in Indian Social Science Discourse" in *Nationalism, Democracy and Development*. eds. S. Bose & A. Jalal, Oxford: Oxford University Press, pp. 184-195.
- Berman, Sheri . 1997. "Civil Society and the Collapse of the Weimar Republic." *World Politics* 49 401-29.
- Beall, Joan, Owen Crankshaw, and Susan Parnell. 2002. *Uniting a Divided City: Governance and Social Exclusion in Johannesburg*. London: Earthscan.
- Chalmers, Doug and Scott Martin and Kerianne Piester. 1997. "The Associative Network: Emerging Patterns of Popular Representation" in *The New Politics of Inequality in Latin America*. ed. Douglas A. Chalmers et.al., Oxford University Press, New York.
- Chaudhuri, S. & Heller, P. 2003. "The plasticity of participation: evidence from a participatory governance experiment", *New York: Columbia University ISERP Working Paper*.



- Evans, P.B. (ed.) 2002, *Livable cities?: urban struggles for livelihood and sustainability*, University of California Press, Berkeley.
- Evans, P.B., 1995. *Embedded autonomy : states and industrial transformation*. Princeton, N.J.: Princeton University Press.
- Harrison, P., Huchzermeyer, M. & Mayekiso, M. 2003. *Confronting Fragmentation: Housing and Urban Development in a Democratic Society*. University of Cape Town Press, Cape Town.
- Heller, Patrick. Forthcoming. "Democratizing Developmental Local Government: South Africa through Indian and Brazilian Lenses," in Edgar Pieterse, Mirjam van Donk (eds) *Developmental Local Government*. Cape Town: Juta Press.
- Heller, P. 2001. "Moving the State: The Politics of Democratic Decentralization in Kerala, South Africa, and Porto Alegre", *Politics & Society*, vol. 29, no. 1, pp. 131-163.
- Heller, P. 2005. "Reinventing Public Power in the Age of Globalization: the Transformation of Movement Politics in Kerala" in *Social Movements in India: Poverty, Power and Politics*, eds. R. Ray & M. Katzenstein, Rowman and Littlefield Publishers Inc., New York.
- Kohli, Atul. 1987. *The State and Poverty in India*. Cambridge: Cambridge University Press.
- Kohli, Atul . 2007. "State and Redistributive Development in India." Paper Prepared for Project on "Poverty Reduction and Policy Regimes" Sponsored by UN Research Institute for Social Development
- Lieberman, E.S. 2003, *Race and Regionalism in the Politics of Taxation in Brazil and South Africa*. Cambridge University Press, Cambridge, UK ; New York.
- Mahajan, Gurpreet . 1999. "Civil Society and its Avatars: What Happened to Freedom and Democracy." *Economic and Political Weekly* 34 1188-1196.
- Riley, Dylan . 2005. "Civic Associations and Authoritarian Regimes in Interwar Europe." *American Sociological Review* 70 (2):288-310.
- Sandbrook, Richard, Marc Edelman, Patrick Heller and Judith Teichman *Social Democracy in the Global Periphery: Origins and Prospects*. Cambridge University Press.
- Sen, A.K. 1999. *Development as freedom*, 1st. edn, Knopf, New York.

- Storper, M. 2004. "Society, Community and Economic Development", *Studies in Comparative and International Development*, vol. 39, no. 4, pp. 30-57.
- Tilly, Charles. 1998. *Durable Inequality*. Berkeley, Calif.: University of California Press.
- Thomas Isaac, T.M. & Franke, R.W. 2002. *Local democracy and development : the Kerala people's campaign for decentralized planning*. Rowman & Littlefield, Lanham, Md.
- Veron, R. 2001. "The 'New' Kerala Model: Lessons for Sustainable Development", *World Development*, vol. 29, no. 4, pp. 601-617.
- Wampler, B. forthcoming. Can participatory institutions promote pluralism? Mobilizing low-income citizens in Brazil. *Studies in Comparative and International Development*.
- Wampler, B. & Avritzer, L. 2004. "Participatory Publics: Civil Society and New Institutions in Democratic Brazil", *Comparative*, vol. 36, no. 3, pp. 291-312.
- Watts, M. 2000, "Development at the Millennium: Malthus, Marx and the Politics of Alternatives", *Geographische Zeitschrift*, vol. 88, no. 2, pp. 67-93.
- World Bank. 2006, *World Bank Development Report: Equity and Development*, The World Bank and Oxford University Press, Washington D.C.
- World Bank. 2000, *Overview of Rural Decentralization in India: Approaches to Rural Decentralization in Seven States. Volume I*.